

ASSEMBLY BILL

No. 1513

Introduced by Assembly Member Cogdill

February 22, 2005

An act to amend Section 309 of the Corporations Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1513, as introduced, Cogdill. Corporations.

The General Corporation Law provides that a person who performs the duties of a director is not liable for an alleged failure to discharge the person's obligations as a director under specified conditions.

This bill would make nonsubstantive changes to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 309 of the Corporations Code is
2 amended to read:
3 309. (a) A director shall perform the duties of a director,
4 including duties as a member of any committee of the board upon
5 which the director may serve, in good faith, in a manner such
6 director believes to be in the best interests of the corporation and
7 its shareholders and with such care, including reasonable inquiry,
8 as an ordinarily prudent person in a like position would use under
9 similar circumstances.
10 (b) In performing the duties of a director, a director shall be
11 entitled to rely on information, opinions, reports or statements,

1 including financial statements and other financial data, in each
2 case prepared or presented by any of the following:

3 (1) One or more officers or employees of the corporation
4 whom the director believes to be reliable and competent in the
5 matters presented.

6 (2) Counsel, independent accountants, or other persons as to
7 matters which the director believes to be within such person's
8 professional or expert competence.

9 (3) A committee of the board upon which the director does
10 not serve, as to matters within its designated authority, which
11 committee the director believes to merit confidence,

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13 so long as, in any such case, the director acts in good faith, after
14 reasonable inquiry when the need therefor is indicated by the
15 circumstances and without knowledge that would cause such
16 reliance to be unwarranted.

17 (c) A person who performs the duties of a director in
18 accordance with subdivisions (a) and (b) shall have no liability
19 based upon ~~any~~ *an* alleged failure to discharge the person's
20 obligations as a director. In addition, the liability of a director for
21 monetary damages may be eliminated or limited in a
22 corporation's articles to the extent provided in paragraph (10) of
23 subdivision (a) of Section 204.